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Statement on the Performance of the
Federal Family Educational Loan Program (FFELP)

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U.S. House of Representatives
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Mr. Chairman and Members of the Committee, it is a distinct honor to speak to you about the Federal Family Educational Loan Program, otherwise known as FFELP. My name is Sarah Bauder and I am the Director of Financial Aid at the University of Maryland, College Park campus. I am thankful for the opportunity to address what I consider to be one of the most important decisions a family will make when attending college, that being how to finance an education. The fundamental purpose of the Higher Education Act is to ensure access, affordability, and choice. Each one is equally important. If we eliminate one, we lose our balance. I have witnessed the evolutionary change of the loan industry over the last 15 years, most notably when Direct Lending was introduced in 1994. While Direct Lending and FFELP both offer access and affordability, only FFELP offers choice, by providing a variety of lending options, to the consumer.

The University of Maryland is home to over 24,000 undergraduate students and 9,000 graduate students. We process approximately 19,000 federal student loans totaling over 90 million dollars in volume each academic year. We pride ourselves on our mission of diversity, especially within our student body. As part of that mission we strive for diversity in every aspect of college life. We understand that financial aid is not a one-size-fits-all program. We know when the word "loan" is mentioned, some students conjure up images of a creditor banging on a door, while others will smile at the gift. We recognize that it is our job to educate, inside and outside the classroom. We employ 28 full time staff to guide students into making the best financial decision possible based on the individuals family financial circumstance. We do not want to deny our students the right to choose a lender. The FFELP program affords us that opportunity by offering a variety of lending options with competitive lending fees and flexible repayment terms, and value added services.

Over the last few years, there has been a great deal of discussion over the rising debt levels of today's student loan borrowers and subsequently, their ability to pay back these loans. Lower interest rates, longer repayment terms, fixed vs. variable rates can all make a difference in how much to borrow depending upon the individual financial situation of the borrower. The Higher

Education Act states that borrowers have the right to choose their lender. The FFELP program gives the University of Maryland parents and students this flexibility. Through FFELP, we have the availability of providing a wider range of funding options for our consumers. We have built long lasting relationships with our lending partners, all of whom provide the best customer service and technical solutions for our students. Through comprehensive research and collaboration, we are able to provide zero fee loans to our students. For example, a student who borrows \$5,000 dollars actually receives \$5,000 dollars with no fees attached. Our lenders provide flexible repayment options and will work with us when we have a student with an unusual circumstance. They provide default prevention initiatives for our students and workshops for our staff as well as communicate directly with our office to keep students out of delinquent status. Because of these initiatives, our cohort default rate is 1.4% and continues to drop. Lenders also provide scholarships and research grants, which help offset the need to borrow.

The University of Maryland's culture is one of research and development. We thrive on new technologies and exploring options. Moreover, we have a fiscal responsibility to the State, the Federal Government, our students and parents. Choice impacts all of them and all must be considered in our institutional decisions. With the advent of technology, we have the flexibility of developing a streamlined, seamless and totally electronic loan process for our students, thereby, cutting costs. Furthermore, we do not have the administrative burden of reconciliation since our lenders reconcile on a daily basis.

The historic legislation of the Higher Education Act recognized the need for federal support of higher education institutions as well as the need for equal access to higher education. That commitment holds true today. However, the attitude of families has shifted from accepting higher education as a privilege to believing it to be a right. Financing an education is one of the most important decisions a family can make and parents and students trust that the institution is working in their best interest. Having only one loan program eliminates choice. We take this responsibility seriously and I do not believe that "efficiency" is a credible reason for why consumer choice is overlooked in making a decision as to which program, FFELP or Direct Lending, will be made available to student borrowers.

In summary, every day consumers finance the purchase of a new home, a new car, and comparison shop to select which credit card to use. These choices are based on a free enterprise market that provides healthy competition. We believe that the key to a comprehensive, well-executed financial plan is to provide options. We cannot lose the balance of access, affordability, and choice. Financial aid becomes an less effectual program if we take away choice.

I thank you for your time and for listening to just some of the benefits of the Federal Family Educational Loan Program.

Sarah Bauder

